

**U.S. CUSTOMS SERVICE
OFFICE OF STRATEGIC TRADE
REGULATORY AUDIT DIVISION**

**RECORD KEEPING POLICY
FOR COMPLIANCE ASSESSMENTS
AND THE PRODUCTION OF (a)(1)(A) LIST RECORDS**

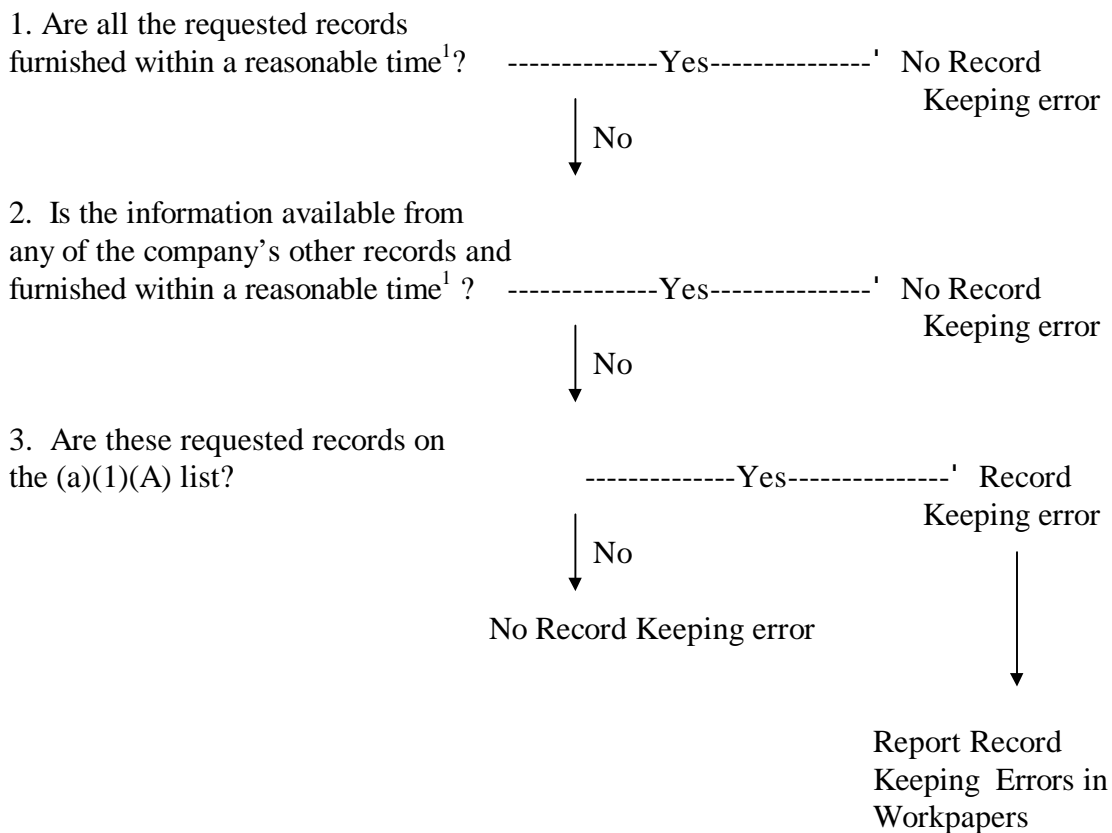
BACKGROUND

Section 509 (a)(1)(A) of the Tariff Act of 1930 (19 U.S.C. Section 1509 (a)(1)(A)) as amended by section 615 of title VI of the North American Free Trade Agreement Implementation Act (generally referred to as the “Customs Modernization Act”) requires the maintenance and production of a record if “such record is required by law or regulation for entry of merchandise (whether or not the Customs Service required presentation at the time of entry).” Section 509 was further amended by adding a new subsection (e) which requires the Customs Service to identify and publish a list of records or entry information that is required to be maintained and produced under section 509 (a)(1)(A), commonly referred to as “the (a)(1)(A) list”. The “(a)(1)(A) list” was published as Treasury Decision 96-1 in the Customs Bulletin, dated January 3, 1996. The “(a)(1)(A)” list was republished and slightly amended in T.D. 98-56. Section 509 provides that if a person fails to comply with a lawful demand for information under subsection (a)(1)(A) such person may be subject to a penalty. The amount of the penalty would be determined depending on whether the failure to comply is a result of willful failure to maintain, store or retrieve information or whether the failure to comply is a result of negligence in maintaining, storing, or retrieving information.

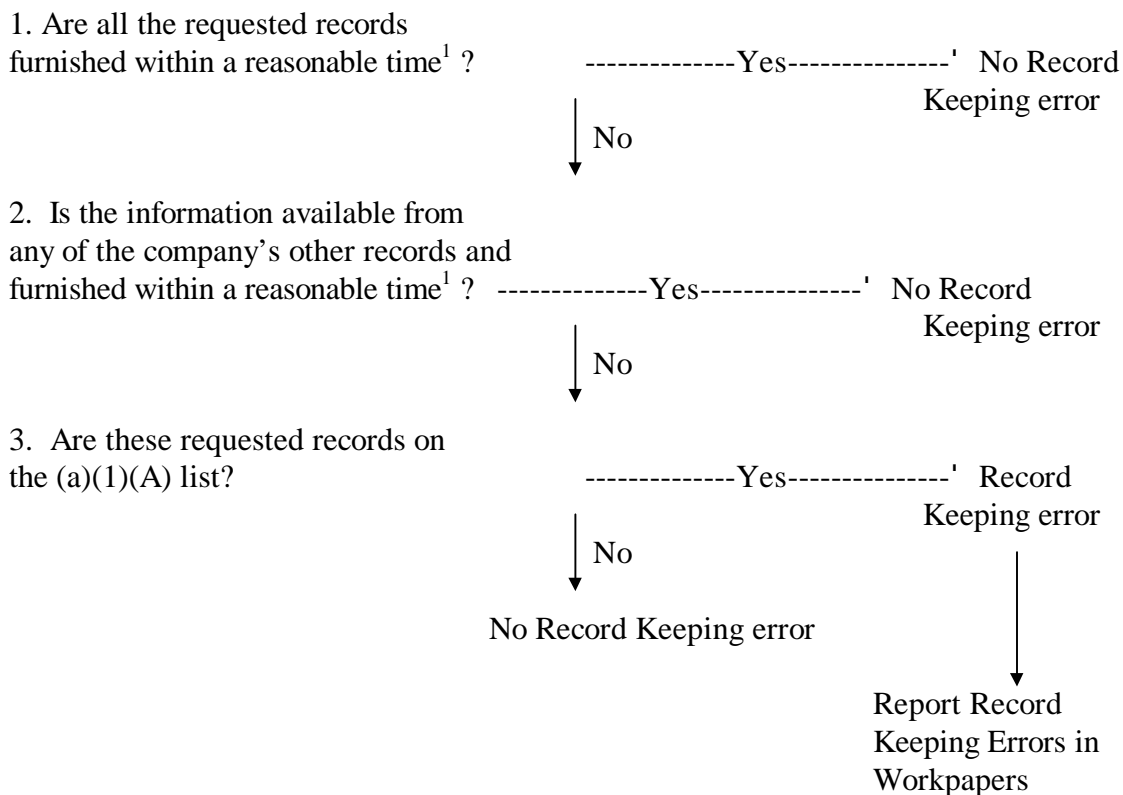
POLICY FOR ACCURACY OF (a)(1)(A) RECORDS

The Mod Act requirements for (a)(1)(A) records are for the preparation, maintenance and production of required information. 19 U.S.C. 1509(g)(2) provides for penalties for the failure to comply with a lawful demand for (a)(1)(A) records. This subpart does not establish penalties for inaccurate information assuming that the pertinent record is produced. Information presented to Customs which is inaccurate is not a record keeping error, but an error of the affected Customs program (e.g. classification, quantity, reported value, special duty provisions), and may result in a penalty under 19 U.S.C. 1592.

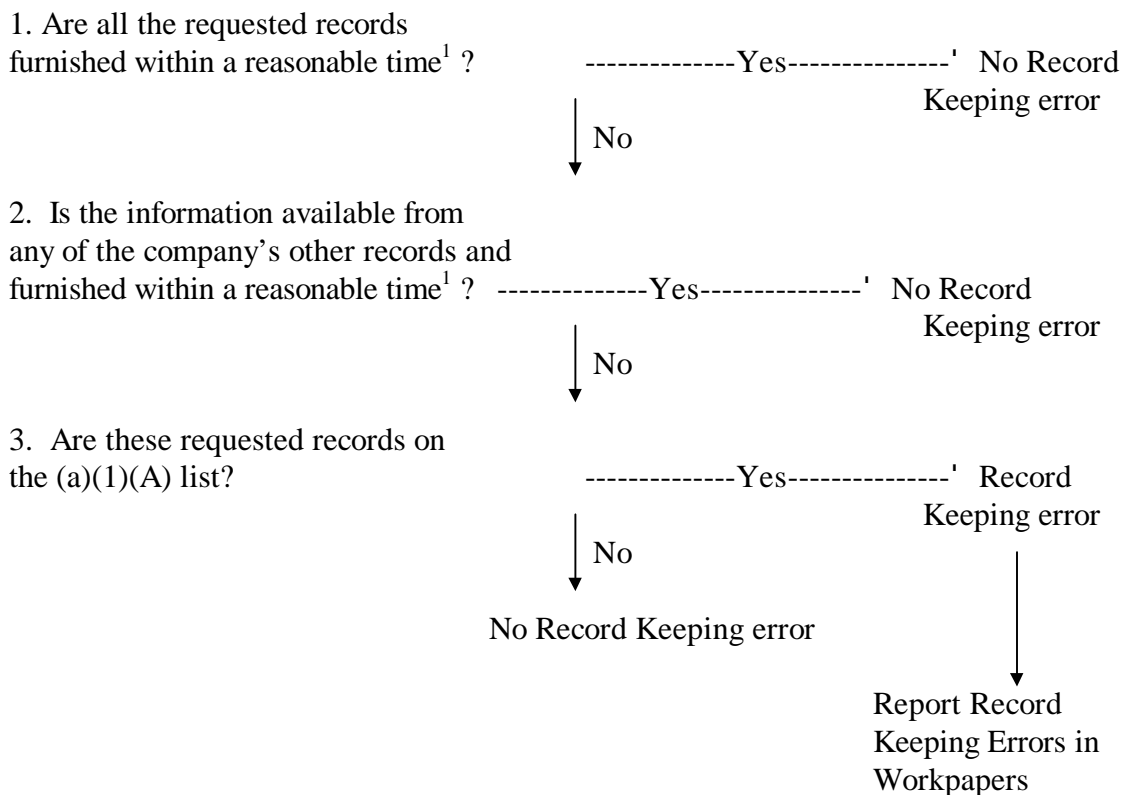
The compliance assessment contains record keeping as one of the five common check areas. Record keeping will be checked through the other common check areas. The absence of (a)(1)(A) records necessary to perform the verification of classification, quantity, reported value, and special duty provisions will result in a record keeping error.

Classification :

¹ Reasonable time-entry records shall be produced within 30 calendar days of receipt of the demand or other written Customs approved time frames.

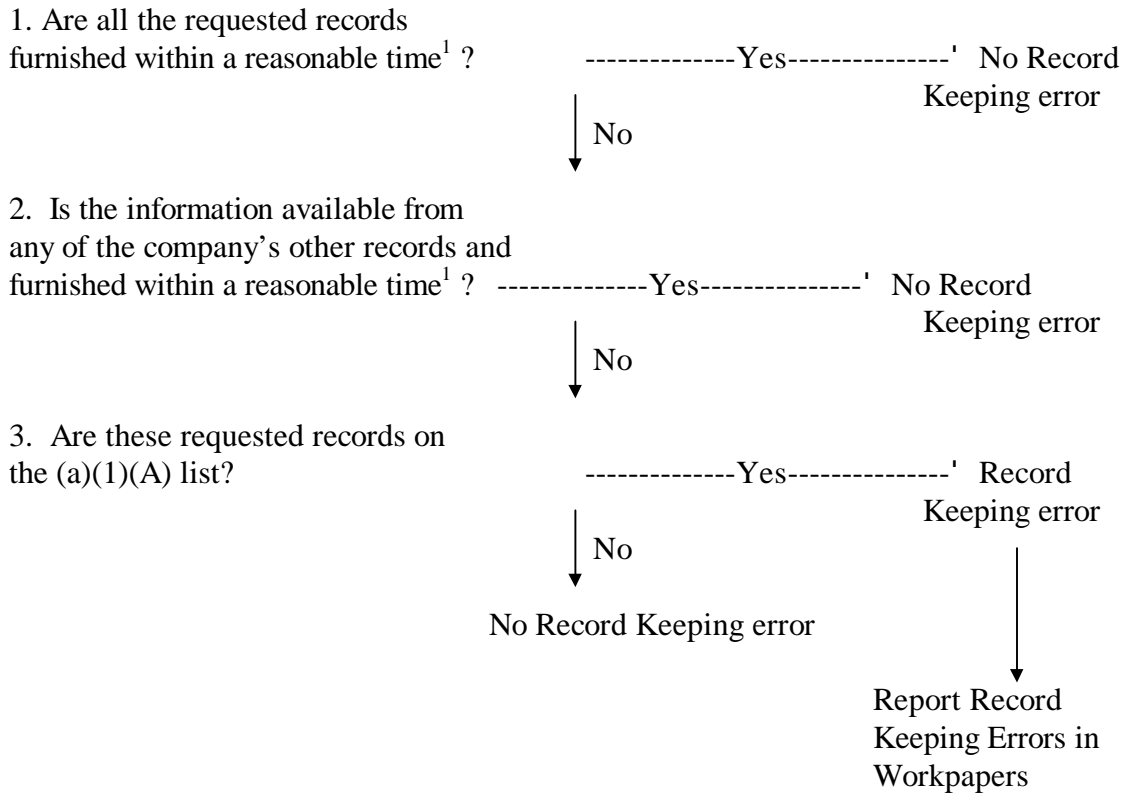
Quantity:

¹ Reasonable time-entry records shall be produced within 30 calendar days of receipt of the demand or other written Customs approved time frames.

Reported Value (Transaction Value):

¹ Reasonable time-entry records shall be produced within 30 calendar days of receipt of the demand or other written Customs approved time frames.

Special Duty Provisions:



¹ Reasonable time-entry records shall be produced within 30 calendar days of receipt of the demand or other written Customs approved time frames.

REPORTING OF RECORD KEEPING ERRORS AND COMPLIANCE RATES

The record keeping objectives are to determine whether importers have the ability to produce records within a reasonable time upon demand in accordance with 19 U.S.C. 1508, 19 U.S.C. 1509, and Treasury Decision 96-1. The record keeping errors from the common checks of classification, quantity, value, and special duty provisions will be summarized in the record keeping workpapers. Please note, there is only one record keeping error per sampled unit or item. A compliance rate is to be calculated using the reported errors from the sample results which are entered into an electronic sampling program to project a statistically valid error rate (includes allowance for sampling error). Since materiality is built into the testing procedures for record keeping the letter of the law and materiality compliance rates are the same. The letter of the law/materiality compliance rate is 100% minus the projected error rate. This compliance rate states the percentage of sampled items for which the company maintained and produced the requested (a)(1)(A) records.

The company is compliant if the compliance rate is at least 95% . However, if the compliance rate is below 95%, the company is non-compliant in record keeping and must submit a compliance improvement plan. If the non-compliance is the result of (a)(1)(A) records not previously submitted to Customs a record keeping penalty may apply.